

APPRAISAL REVIEW

**APPRAISAL OF
USAL FOREST AND SHADY DELL PROPERTIES**

Located in
**MENDOCINO COUNTY
CALIFORNIA
AS OF JUNE 22, 2010**

**APPRAISAL PREPARED
BY
CHRIS BELL, MAI
APPRAISAL ASSOCIATES
3000 CLEVELAND AVENUE, SUITE 204
SANTA ROSA, CALIFORNIA 95403**

PREPARED FOR

**Ms. Teri Muzik
State of California
Wildlife Conservation Board
1807 13th Street, Suite 103
Sacramento, California 95811**

REVIEW DATE

**as of
May 20, 2011**

PREPARED BY

**Dana W. Burwell, MAI, ASA
PO Box 115
Healdsburg, California 95448**

APPRAISAL REVIEW

SALIENT FACTS OF REVIEW

Client: State of California
Wildlife Conservation Board
1807 13th Street, Suite 103
Sacramento, CA 95811
Property: Usal Forest and Shady Dell Properties
Mendocino County, California
Appraiser: Chris Bell, MAI
Appraisal Associates
Address: 3000 Cleveland Avenue, Suite 204
City/State/Zip Code: Santa Rosa, CA 95403
Telephone: 707-569-8891
Reviewer: Dana W. Burwell, MAI, ASA
Address: POB 115
City/State/Zip Code: Healdsburg, California 95448
Telephone: 707-433-7490 Fax: 707-778-1389

The preparation of the review included reading the appraisal report to determine its reasonableness, the consistency of the data, the quality of the analysis and the reasonableness of the concluded value. I also reviewed the appraisal report to determine its compliance with the Uniform Standards of Professional Appraisal Practice (USPAP) and applicable state and federal appraisal and banking regulations in force as of the date of the report. No attempt has been made to confirm or verify information contained in the appraisal report. No attempt has been made to determine if additional market data may have been available which would either support or refute the appraisers' value conclusions.

APPRAISAL CONCLUSIONS

	<u>Value of Conservation Easement</u>	<u>Fee Simple Value</u>
Usal Property	\$20,000,000	\$62,000,000
Shady Dell Property		\$5,500,000

Hypothetical Conditions/Extraordinary Assumptions:

The appraisal assumes that the proposed conservation easement in draft version exists on the date of value. In addition, the appraiser assumes that the Shady Dell property can be divided from the larger parcel and represent a legal parcel after division. Both assumptions are hypothetical conditions and appear reasonable and supportable. The appraiser has also assumed, under an extraordinary assumption, that there will be no changes between the draft and final easement document.

Value Conclusions

Usal Forest Property

The Usal Property was valued at \$62,000,000 in the before condition and \$42,000,000 in the after condition. The difference, representing the value of the conservation easement, was \$20,000,000. The “before value” conclusion of the property was based on a unit value of \$500 to \$600 per acre for the 49,576 acres before the contributory value of the timber. The contributory timber value was \$35,109,171, or \$708 per acre. The total land value was concluded with a range of \$59,900,000 to \$64,850,000, rounded to \$62,000,000, or \$1,250 per acre. The “before value” conclusion was based on six comparable sales of large-acre commercial timber properties that sold between May, 2002 and June, 2007.

The “after value” conclusion was \$42,000,000, or \$850 per acre (rounded) and included a contributory timber value of \$32,895,697, or \$663 per acre. The residual land value, excluding the timber value, was \$9,104,303, or \$184 per acre. The “after value” conclusion was based on five comparable sales of large-acre properties with most of the sales encumbered by a Williamson Act Ag. Preserve agreements. The five sales included only modest timber values applicable to each property. The sales occurred between June, 2004 and March, 2008.

The difference in the “before value” and the “after value”, represents the value of the conservation easement and is estimated at \$20,000,000. The value of the conservation easement includes the reduction in value due to the restrictions of the easement agreement and the reduction in timber value. The easement value represents the difference between the residual land value in the “before condition” of \$26,890,829, or \$542 per acre and the land value in the “after condition” of \$9,104,303, or \$184 per acre value. The difference is \$17,786,526, or \$358 per acre plus the reduction in timber value of \$2,200,000, for a total conservation easement value of \$19,986,526, rounded to \$20,000,000. Thus, most of the reduction in value due to the easement is associated with the reduction in development rights.

Shady Dell Property

The Shady Dell property was valued based on the sale of five comparable large-acreage Pacific Ocean fronting (or highly influenced) properties. The sales were analyzed based on overall value per parcel. Adjustments were made for improvements, timber value and other qualitative adjustments. The adjusted comparable sale values were between \$3,180,000 and \$9,086,000. The appraiser concluded with a value for subject property in the middle of the range, or \$5,500,000.

REPORT CRITERIA

Appraisal Type:	Summary Report
Date of Report:	June 22, 2010
Client Identified:	State of California – Wildlife Conservation Board
Date of Inspection:	April 8 and June 22, 2010

PHYSICAL DESCRIPTION (Usal Forest Property)

Site Area:	49,576 acres site located in the rural coastal area of Mendocino County. The subject is currently being used for timber production. The property does not include any improvements. The property has two access points from Highway 101. The interior of the property has a network of good quality gravel and dirt roads. The property has electrical and phone services along Highway 101 and Highway 1, but no utilities to the interior of the property other than from an in-holding property. The property has 41,022 net productive acres of forest land consisting of 202,000 Mbf of redwood, Douglas fir and grand fir. The value estimate of the timber is \$35,109,171, or \$856 per net productive acre. The topography of the property ranges from moderate to steeply sloping. The property has views of the surrounding coast hills of northern Mendocino County.
Zoning:	TPZ 160, Timber Production Zone with a 160 acre minimum lot area. The TPZ zoning is intended for timber growing areas. Single family residential uses are also permitted, based on density of zoning. The property also includes 261 potential patent parcels, which, upon perfection and recording with the County, would become legal ACC's that predate the Assessor parcels. The potential parcels range from 95 acres to 600 acres in size. The property also has the potential for division for up to 309 separate parcels (49,576 acres/160 acre minimum).
Improvements:	Improvements consist of gravel and dirt roads and water from several springs. There are no building improvements.
H&BU, Before:	Continued timber management with future rural residential development, in the "Before Condition".
H&BU, After:	Continued timber management with restricted uses subject to the easement contract, in the "After Condition".
Cons. Easement:	The proposed conservation easement will encumber the entire Usal Forest property. The purpose of the easement is to conserve, manage and protect the property as an economically-productive working forest. The easement limits the utility of the property to restricted forest management uses and limits development to a single parcel. The easement will allow for the designation and development of up to five "Designated Improvement Areas" not to exceed 10 acres in size. These areas may be devoted to development of rock, sand and /or gravel pits, work camps in support of the allowable uses, recreational visitor serving facilities and a residence in association and support of permitted uses. The areas can contain fences, utility services, septic systems and driveway improvements. The conservation easement results in a reduction in development potential from 261 potential patent parcels to a single parcel.

PHYSICAL DESCRIPTION (Shady Dell Property)

- Site Area:** 957 acres of rural land with Ocean frontage at Usal Beach. The property is located in the southwest corner of the Usal Forest property, with frontage along the Pacific Ocean coastline. The property has electrical and phone services along Highway 101 and Highway 1, but no utilities to the interior of the property. The Shady Dell property contains 7,000 Mbf of standing redwood timber and 6,000 Mbf of Douglas fir. The value of the timber is estimated at \$1,100,000.
- Zoning:** TPZ 160, Timber Production Zone with a 160 acre minimum lot area. The TPZ zoning is intended for timber growing areas. Single family residential uses are also permitted, based on density of zoning. The property also has the potential for division of up to four separate parcels (957 acres/160 acre minimum) plus a remainder parcel. Such a division would qualify as a minor subdivision.
- Improvements:** The property has no improvements.
- Highest & Best Use:** Timber harvest and development and sales of up to four rural residential/recreational home sites. The remainder parcel would not be marketable.

IDENTIFICATION OF PROPERTY AND VALUE DEFINITION	Yes	No	N/A
1. Legal description provided	X		
2. Correct real property rights identified.	X		
3. Non-reatly rights identified.	X		
4. Special provisions identified.	X		
5. Function and purpose properly identified.	X		
6. Correct market value definition.	X		
7. Scope of assignment.	X		
8. Appropriate summary of salient facts and conclusions supplied.	X		
9. Sales history of subject addressed.	X		

Comments: The report covers all the above areas adequately. The combined Usal Forest property and the Shady Dell property recently sold in February, 2007 and the sale is discussed and analyzed in detail in the report. The report relies upon a timber analysis of both properties performed by Buena Vista Services, LLC. Significant information on the property was also provided to the appraiser by Campbell Timberland Management.

REGIONAL AND NEIGHBORHOOD DESCRIPTIONS	Yes	No	N/A
10. Relevance and adequacy of regional and economic data.	X		
11. Demographic and other social factors.	X		
12. Environmental issues addressed.	X		
13. Neighborhood analysis adequate.	X		
14. Emerging trends in the land usage properly addressed.	X		
15. Availability, cost and adequacy of public utilities properly addressed.	X		
16. Analysis of legal restrictions on use in addition to zoning.	X		

Comments: The appraisal includes a detailed description of Mendocino County and Humboldt County. The Regional/Area analysis also includes a discussion of Land Conservation within these two counties, noting that nearly one-third of the land base is either state or publicly owned land. Since both the Usal Forest property and the Shady Dell property are targeted for conservation, this discussion is very helpful in understanding the dynamics of the area. The report also includes a discussion of market activity and sales for rural residential properties, 20 acres or larger, in the Mendocino County area. Finally, the report includes a discussion of other sales and listings of properties that are useful in the analysis of the subject but were not included as comparable sales. Overall, the regional and neighborhood chapter is well researched and helpful in understanding the market for similar large-acreage properties.

DESCRIPTION OF SUBJECT SITE	Yes	No	N/A
17. Shape and size of site provided.	X		
18. Topographic features addressed.	X		
19. Zoning restrictions on site noted.	X		
20. Legal, conforming use (with zoning).	X		
21. Drainage and flood plain conditions discussed.	X		
22. Site sketch or survey included.	X		
23. Ingress and egress discussed.	X		
24. Nuisances and hazards addressed.	X		
25. Seismic hazards addressed.	X		
26. Analysis of ad valorem taxes properly identified for the subject.	X		

Comments: The report includes a discussion of the subject site broken into sections that include present use, location, access, size/shape, water & utilities, soils, timber, topography, hazards, easements, property history, assessed value and zoning. Each section description provides a good discussion of the subject properties and covers all the areas necessary.

HIGHEST AND BEST USE ANALYSIS AND CONCLUSIONS	Yes	No	N/A
27. Analyzed "before condition".	X		
28. Analyzed "after condition".	X		
29. Legally permitted uses evaluated.	X		
30. Physically possible uses evaluated.	X		
31. Supply and demand factors considered.	X		
32. Marketability of subject considered.	X		
33. Concluded Highest and Best Use.	X		
34. Conclusion consistent with valuation technique adopted.	X		

Comments: Both the Usal Forest property and the Shady Dell property were analyzed based their as-is condition. The analysis included the four elements of legal permissibility, physically possible, financially feasible and maximally productive. The highest and best use of the Usal Forest property, in the "before condition" was concluded for continued timber management and future rural residential development. The highest and best use of the Shady Dell property was concluded for continued timber management and future rural residential/recreational development. The highest and best use of the Usal Forest property, in the "after condition" was concluded for continued timber management along with restricted uses subject to the permitted and prohibited uses of the conservation easement.

SALES COMPARISON APPROACH ANALYSIS	Yes	No	N/A
35. If Sales Comparison Approach excluded, was proper justification supplied. (If excluded, go to next section.)	X		
36. Photographs included.	X		
37. Sales/subject map included.	X		
38. Sales properly described in sufficient detail.	X		
39. Sales adjustment for cash equivalency.	X		
40. Income data supplied.			X
41. The analysis demonstrates the comparables sales (or listings) were physically and economically similar to the subject.	X		
42. Units of comparison appropriate.	X		
43. Adjustments for differences supported with market data or a logical analysis.	X		
44. "As-is" value appropriately developed.	X		
45. If required, were values "as completed" and "as stabilized" appropriately developed.			X
46. Value estimate(s) consistent with the data presented.	X		

Comments: The appraiser utilized three sets of data to analyze the subject properties. The Usal Forest property, in the "before condition" was analyzed based on the sale of six large-acreage commercial timber properties that sold between May 2002 and June 2007. The properties were all located in the Redwood Empire area. The most significant adjustments were for timber value related to each sale, market conditions, location and physical characteristics. The adjusted land

values ranged from \$369 per acre to \$1,360 per acre before qualitative adjustments for location and physical characteristics. The greatest weight was given to Sale No. 6, which was also the 2007 of the subject property. The appraiser concluded with a unit value per acre of \$500 to \$600 per acre, before the contributory value of the timber. The contributory value of the timber was added to the concluded residual land value. The adjustments appear reasonable and were well supported.

The Usal Forest property, in the "after condition" was analyzed based on the sale of four large-acreage properties that sold between May 2004 and September 2005. The subject property in the after condition will be encumbered by the conservation easement. No sales were uncovered of properties encumbered with similar conservation easements. Three of the sales included large-acre properties with limited development potential. The most significant adjustments were for market conditions, location and physical characteristics. The adjusted land values ranged from \$498 per acre to \$1,099 per acre before qualitative adjustments for location and physical characteristics. The greatest weight was given to Sale No. 12, at \$582 per acre before location and physical adjustments. The appraiser concluded with a unit value per acre of \$850 per acre, including the contributory value of the timber. The adjustments appear reasonable and were well supported.

The difference between the "before condition" and the "after condition" for the Usal Forest Property is the value of the conservation easement.

The Shady Dell property was analyzed based on the sale of five large-acreage Pacific Ocean fronting, or highly influenced properties that sold between June 2004 and March 2008. The properties were all located in the Redwood Empire area. The most significant adjustments were for market conditions, improvement value, timber value of the subject, location and physical characteristics. The adjusted land values ranged from \$3,180,000 to \$9,086,000 for the entire property, before qualitative adjustments for location and physical characteristics. The greatest weight was given to Sale Nos. 8, 9 & 10, which support a value between \$5,000,000 and \$9,086,000. The appraiser concluded with a value at the middle of the range, or \$5,500,000, including the timber value. The adjustments appear reasonable and were well supported.

FINAL VALUE CONCLUSION(S)	Yes	No	N/A
47. Quantity and quality of data properly described.	X		
48. Reliability of the estimate of each approach discussed.	X		
49. Consistency of adjustments between approaches.	X		
50. Are value conclusions consistent with the findings of Highest and Best Use and Market Overview.	X		
51. "As-Is" value appropriately developed and reported.	X		
52. If required, were the values "Before the Easement" and "After the Easement" appropriately developed and reported.	X		
53. Overall analysis logical, rational and consistent.	X		

Comments: The "before value" conclusion and the "after value" conclusion for the Usal Forest property was well supported and thoroughly analyzed. Accordingly, the estimated value of the conservation easement was well supported and documented. The value conclusion for Shady Dell

property was also well supported.

APPRAISER'S CERTIFICATION AND STATEMENT OF LIMITING CONDITIONS:
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	Yes	No	N/A
54. Principal appraisal certified personal inspection of the subject property.	X		
55. All appraisers certify that they had no present or contemplated future interest in the appraised property.	X		
56. All appraisers attest to the factual accuracy of the information presented.	X		
57. All appraisers certify the report sets forth all limiting conditions.	X		
58. All appraisers attest as to who prepared the analysis, conclusions and opinions in the report.	X		
59. All appraisers attest that appraisal was not based on a requested minimum value, a specific valuation, or the approval of a loan.	X		
60. Certificate stated appraisal in compliance with USPAP.	X		
61. The certification was signed by all appraisers who prepared the appraisal.	X		
62. All pertinent limiting conditions are in one physical location and are appropriate for the valuation problem.	X		

Comments: The certification and statement of limiting conditions comply with USPAP.

REVIEW CONCLUSIONS:

Comments: The concluded value for the conservation easement encumbering the Usal Forest property appears reasonable and well supported. The fee simple value for the Shady Dell property also appears reasonable and well supported.

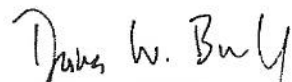
Dana W. Burwell

Dana W. Burwell
Review Appraiser

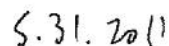
Certification Statement For Written Appraisal Review Reports

I certify that, to the best of my knowledge and belief:

- The facts and data reported by the reviewer and used in the review process are true and correct.
- The analyses, opinions, and conclusions in this review report are limited only by the assumptions and limiting conditions stated in this review report and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in this review or from its use.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the *Uniform Standards of Professional Appraisal Practice*.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- I have not made a personal inspection of the subject property of the work under review.
- No one provided significant appraisal, appraisal review, or appraisal consulting assistance to the person signing this certification.
- As of the date of this report, I have completed the continuing education program of the Appraisal Institute.



Signature



Date

DANA W. BURWELL, MAI, ASA

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I am a member of the Appraisal Institute with an MAI designation and a member of the American Society of Appraisers with an ASA designation. In addition, I am a member candidate of the IRWA working toward my SR/WA designation. I am licensed by the State of California with a general appraisal certification (AG 003696).

EXPERIENCE

I have been involved in the appraisal profession since 1988 and have expanded my field of expertise and geography over the past fifteen years. I currently have an appraisal staff of four appraisers providing commercial and residential appraisal services to a variety of clients in Marin, Sonoma, Napa and Lake County. I have undertaken assignments in the following areas:

APPRAISAL OF FEE, LEASED FEE, AND EASEMENT INTERESTS

Valuation of Improved and Unimproved Properties,
Special purposes properties such as FBO, fitness centers, day care facilities, SNF, RCF.
Valuations for Financing, Investment, New Construction, Sale, Public Acquisition and Estates,
Bankruptcy and Tax Appraisals,
Appraisal of Partial Takings,
Eminent Domain Matters,
Determination of Severance Damages and Benefits,
Valuation of Conservation and Forever Wild Easements,
Experience in Yellow Book appraisals

RIGHT OF WAY VALUATION

Have appraised roadway, pipeline and utility easements,
Values have included Fee and Easement Interests, Severance Damages and Benefits,

LITIGATION SUPPORT

Have qualified as an expert witness performing testimony in court. In addition, have undergone numerous depositions and provided private consultation services to attorneys and clients.

EDUCATION

BA. San Francisco State University, Business with concentration in Real Estate
M.B.A. San Francisco State University, Corporate Finance

APPRAISAL ORGANIZATIONS

ASA: Member of Board of Directors of the San Francisco Chapter of the American Society of Appraisers 2000-2003
AI: Board of Directors of the NorCal Chapter of the Appraisal Institute 2000-2003